

GETTING STARTED

Some Helpful Things To Know About Building In Mexico

You are about to embark on what can and should be an incredibly exciting and fulfilling adventure in a foreign country. The trick to being able to truly enjoy the construction process is to begin it with your eyes wide open, fully prepared for what lay ahead. Surely you have heard horror stories of foolish people who were parted from their money by disreputable contractors. If you think Mexico is unique to problems like this, I'd suggest you try building or remodeling a house in Florida first. While most of the stories are greatly exaggerated, a few of them have merit, but in most cases these problems arise because a few, common sense rules were not followed and the proper set of checks and balances not in place.

What follows is a list of everything that you, as an owner, need to take care of during the purchase, pre-design, actual design, engineering, and construction phases for your new home.

BUYING PROPERTY TO BUILD ON:

When starting to look for your dream lot or parcel, be aware that there are different types of property in Mexico. Here is a 15-second lesson. The reason it's only 15 seconds long is that you need to find a qualified, trustworthy real estate person who has proven honest and has a verifiable track record to help you fully understand the land purchase system here. Trying to do it yourself, directly with the owner of the land or with other people you casually meet that call themselves realtors could be the biggest single mistake you can make, a mistake that could cost you your investment. Remember, in Mexico there is no certification process for real estate people, so choose wisely and carefully.

So here's your lesson: Some land in the interior areas of Mexico can be purchased outright by foreigners and held with a title; similar to the way you purchase property in your own country. If, however, you are a foreigner and the land you want to buy is located in areas near the ocean or the border of Mexico, you will have to purchase it through the use of a trust. A Mexican bank of your choice holds and administrates this trust and you have full ownership usage rights, but the actual property title remains in the bank's name. You pay an annual fee to the bank for this service. There is also another type of land in Mexico called Ejido land. This is property given to the indigenous people of the country for their use. Gaining the rights to use and building a home on Ejido land is a risky and complex thing to do. Which makes the next sentence below the most important of all... thus the underline:

COMPLETING THE PURCHASE:

Complete the purchase of property through qualified, trustworthy real estate person. Select a Notario with a good reputation and make sure you have a clean title of ownership. Please stop for a second and read the underlined sentence above again. A book could be written about this single step, but suffice it to say that you need to be cautious. Remember, there are no Title Companies or Title Insurance for protection in Mexico. Because of the lack of Title Companies, there are no such things as “Escrow Accounts” and in the past, the earnest monies have been usually held by realtors or given directly to the owner that is selling the property if a realtor is not involved. I think you can quickly spot problem with this sentence. Buyer beware is a phrase to remember. You need to get to know the real estate person you’ve chosen and trust him/her to a point where you feel comfortable giving them substantial funds to which they alone will have access. If in doubt rely on the Notario’s opinion. If you still have questions ask around and find a good, Mexican attorney who specializes in real estate to answer your questions. Talk to other new homeowners who have just gone through the process. They will be a wealth of information for you.

SURVEYING:

Have the lot cleared of brush, leaving the native trees, then have it surveyed by a licensed Topographer (Surveyor). If the lot is a “view lot” and vegetation is obscuring the potential view, this should be done prior to purchase (but with the written permission of the owner, naturally) to make certain you know exactly what you are and are not buying. Don’t let your excitement or want for a parcel influence your good judgment. Be sure to ask questions about any existing or potential lot line disputes or other problems that exist *before* you write the check for the property. Be patient and let the Topographer do his work and trust his accuracy. There are two types of surveys available to you. One involves simply locating the corners of the lot. This is absolutely critical before you buy. Be sure all corner and turns are clearly marked with durable steel pipes set in concrete or actual concrete monuments. The second type of survey would also include topographical lines, showing the slope and steepness of the lot. These topo-lines will be an incredibly valuable tool for your architect when planning the most efficient and cost effective way to build the foundation for your new home. Whichever method you choose, it is important to get a copy of the survey on paper showing the Topographer’s name and credentials including his registry number. If possible also get a CAD (computer aided design) file on diskette. Often you have to ask for this as they do not offer it and sometimes they will charge a few dollars extra. Since most Topographers are using high-tech satellite surveying equipment today, the CAD file is automatically generated as a part of the process and with it, you can use a CAD drafting program to see, in three-dimension the exact landscape of the piece of property you are buying.

STARTING YOUR DREAM LIST:

Sit down with a pad and pencil and start making a list of all the spaces and features you want your new home to have. Start with an approximate size for the finished house (square footage). Remember that in most places, the actual home can only cover 40% of the lot with the remaining 60% used as gardens and landscaping. Sometimes swimming pools, outdoor open terraces, etc. are considered part of the garden areas, but check with the restrictions where you are building and with the municipality to make certain of the rules in effect in your area. Now start listing, room by room your wants and needs. How many bedrooms? How many bathrooms? Garage? Pool and/or Spa? Features you want in the kitchen, laundry room, etc. Do you want a den or home office? Air conditioning in the bedrooms? Special closets or storage needs for golf clubs, etc.? You get the idea. Keep a file with photographs of other homes you've seen that you love. If you see a great picture in a magazine, tear it out and put it in your file. As you travel, keep a camera with you. If you see a railing, roof detail, doorway, kitchen cabinetry, tile, landscape or other architectural element that catches your attention, save a photo of it for your file. Nothing speaks louder than photography, especially if you aren't fluent in Spanish. Giving your architect this type of input and guidance will help you end up with exactly what you want AND a truly spectacular home.

USING AN ARCHITECT:

Secure the services of a creative, licensed Mexican Architect. In your own best interest you definitely shouldn't commit to the first architect you interview. There are many talented architects around, and each of them will approach a project differently. Don't be embarrassed or intimidated into accepting only their approach. Remember, it's *your* money and, after all, this is *your* dream house. During your interviews ask what the architect expects will be the total cost for the project and, if possible, break that cost down to a cost per square meter. Find out if this cost is inclusive of all elements and materials including his fees, permits and elements such as windows and exterior doors, interior woodwork, tile and installation, lighting fixtures, plumbing fixtures, appliances, etc. Make a note of what the quoted cost does *NOT* include so when you have other conversations you can be sure you are comparing apples to apples. By all means, ask to see completed projects he has built, and make a point to talk with the owners candidly (without the architect present) to see if they are happy with his services and follow through. Naturally, the architect will only take you to his happiest clients, so you also need to ask around and see if you can find any unhappy clients too.

ARCHITECTURAL & BUILDING PERMIT FEES:

Once you're sure you have the right guy, have a very candid conversation about his fees and costs. Do this in a quiet, private place, and if you have a language barrier, be sure to get a trusted translator to help you through the meeting. Take your time. Ask many questions and make certain there are no hidden fees and that you know exactly what you are committing to, and what his services include and, more importantly, do not include. It is important to get this information in writing. Remember, it is the responsibility of the Architect to secure your building permit and file the necessary paperwork to get you going. There will also be costs involved with this and your Architect should itemize them for you and tell you exactly when he needs to pay each expense. If you are building in an area where there are CC&R's (codes, covenants and restrictions), be sure you have a copy of them and, if necessary, pay to get an accurate English translation. Your architect will be responsible to know about and comply with any lot line setbacks, height restrictions and lot coverage limitations.

SITE DEVELOPMENT:

Site development is the work you need to do to put the infrastructure in place so you are ready to build your home. This includes things like utilities, retaining walls, driveways, drainage, septic systems and potable water storage. Discuss site development costs with your architect as part of your preliminary conversations. Make sure these costs are included in his cost analysis.

What will it cost to get the electricity, water and telephone onto the lot where you want it? Who will take care of the paperwork involved in making this happen?

Where will the septic system be located and what will the system cost to install? If practical, consider splitting off the gray water from showers and sinks and reusing it to water landscaping. It is a simple thing to do it now, but almost impossible and very costly to do it later. There are two benefits in a split-system: You save money on water and you put less demand on your septic system if all that is going into it is black (toilet) water.

If your lot is very steep, what are the added costs involved with a specially engineered foundation? You will need soil samples and hydraulic testing to be done on the corners where the actual building will sit so the engineer and architect can design a foundation support system that will be strong and safe.

Where will your driveway go, what type of materials will you use to make it and what will it cost to build?

And a critical issue; how will you handle rainwater run-off? Remember, we live in the tropics and when it rains...it really rains. It is *your*

responsibility to provide a safe method for rainwater to exit your lot without putting your own foundation, or that of your neighbors in jeopardy.

These are all simple things if discussed and planned for during this stage of the design process, but be certain you *do* plan for them now.

STARTING YOUR CONSTRUCTION LEDGER:

While we're on the subject of money, now is the time to start your construction Ledger. Buy a book and set up sheets for each person (i.e., Architect, Contractor, each Sub-Contractor, IMSS payments, etc). Each time a bid is requested and approved it should be permanently placed into the book. As you make payments, the date, amount, how paid (i.e., check number, etc), exchange rate on the date the payment is made is entered into the book. When the entry is complete, get the architect, contractor or sub contractor receiving the payment to sign and date each disbursement entry as they are paid. If there is a balance due, keep it running and show the current balance after each payment entry. This system will prove a valuable ready-reference as the project moves forward and will head off any misunderstandings over who was paid what and when. It will also tell you exactly where you stand at any given moment in monies owed.

THE PRELIMINARY DESIGN PROCESS:

Once you have the formalities out of the way, it's time to begin the preliminary sketch phase for the design of your new home. With your list in hand, you're ready for your first meeting with the architect. The more information you can give him at the beginning, the closer he will come to what you want with the first draft of a plan. Most important of all, tell him about your lifestyle and how you to plan to use the new house. Will you need multiple guest suites or casitas for grown children or friends? Or will the home just be for the two of you. Remember where you are building. We live in a climate where your home can remain entirely open almost 365 days a year. Come to the meeting with an open mind and let the architect show you his ideas too. This preliminary sketching generally goes through several generations of plans as you work with the architect to tweak the drawings, making sure they include all the elements you want to use in the design as well as the sizes and placement of spaces you want in the new house.

You owe it to yourself to do a little traveling in Mexico. Be sure to you're your camera. Make a couple trips to Talaquapaque and Tonalá to look for lighting fixtures, Cantera stone architectural details, fountains, planters and decorative ironwork. Take the time to make your residence a very special, personalized place that truly reflects your values by including things that have special importance to you. Mexico is incredibly rich in artisanship. Adding handmade craftsmanship details to the house in the way of finish

elements will make all the difference in the world. Remember, *this is a time to have fun and be a dreamer*. Indulge yourself! You can always cut back later if the budget limits you, but include your fantasies now.... and don't forget about things like fountains, landscape and outdoor lighting. Although it's almost impossible to do when designing your dream home, keep re-sale in mind. Remember, it's the details and special features that make a new home truly spectacular and very desirable when it comes time to sell it.

THE WORKING DRAWING PHASE:

Once the preliminary design sketches are to your liking, and represent exactly what you want, your architect will begin the actual working drawings for your project. These are the plans that the contractor will use to construct the home and they will include all the information from the structural engineer as well. The level to which these drawings are detailed depends on the Architect. During the drawing phase, the Architect will need to rely heavily on the services of a structural engineer. This is critical. Work with your architect to select and secure the services of a licensed structural engineer. Some architects include the structural and engineering drawings as part of their design package, others do not. No single step is more critical than this one. You are building in an active seismic area and hurricane area. Be sure the engineer you select abides by and uses the Kobe Standards developed after Japan's disastrous earthquake. These guidelines will dictate the size and placement of all structural steel used in your home as well as the various types of concrete mixes used. Since the year 2003, the Kobe Standards are widely used and accepted in Mexico, but it is your responsibility to make sure the engineer you choose abides by them. The difference can be a house that makes it through an earthquake without significant structural damage... or not.

PAYMENT SCHEDULES:

Early on, discuss payment schedules with your Architect and Contractor and agree on how the financial aspects of the project will work. Unlike the US or Canada, contractors here do not operate with a huge financial cushion. They will need to pay for materials, as they are delivered to the jobsite and pay their workers on a weekly (usually Friday) basis. For this reason, the contractor needs to have access to funds weekly in a timely manner. One way to handle this is to leave your architect or contractor a series of checks you have already signed on your bank account at home with the understanding that no funds will be in the account until you place them there. When it is necessary for a payment to be made, you will deposit the funds and let the architect / contractor know they are in the account and he can cash the check. Another way to handle this is to set up an account through Monex, where you can wire US funds and your contractor can pick them up the next day. Monex does not charge a fee for this service, but makes their money by paying slightly less on the exchange rate to provide a modest profit. This is the fastest, most dependable way we have found to get

money to contractors without risking having a lot of money sitting in Mexico in the control of others. It does mean that you, or someone with access to your funds in your country needs to be available every week to make this transfer. Using this method, you control the purse strings at all times. If you are in Mexico during construction, this is also an excellent way to do it. You can open an account with Monex at no cost then write US Dollar checks to your architect or contractor and he can take the check to Monex and cash it the same day.

INSURANCE FOR YOUR WORKERS:

It is also the Owner's responsibility to pay the IMSS (Mexican Social Security) for every worker on the project during the entire run they work there. Since the number of workers on the job will be much higher at some times than others, this amount will be constantly changing. In addition to the number of workers present, IMSS charges more one month than the next as some insurance elements are only charged on an every other month basis. The contractor or architect may have their own office staff to handle this, but if you are using a small contractor, he will usually hire an IMSS accountant (that you pay for) who helps him keep track of these insurance issues and pays this monthly. He must bring you the receipt for reimbursement, or the accounting provided by his accountant prior to payment, then return with the receipt for you after payment is made. Each month the payment will include a list of workers who were present on the jobsite during that time. It is critical to check this list against the people actually present to make sure you are neither overpaying nor underpaying. If the contractor is lax in reporting changes with workers on your job and an accident occurs to one that is not on the IMSS roster for that month, there could be serious liability issues that you, as the owner will become involved in.

STARTING CONSTRUCTION:

So the paperwork is taken care of, the meetings are over; the permits are in your architect's pocket and the first materials have been delivered. It's show time! It's also time to put away any preconceived notions you might have regarding how your new house should be built. As difficult as it will be, you must forget about "how it's done back at home" and sit back and watch how they do it here. At first the system, methods and tools they use will look ancient, awkward, and even absurd to you. Forget it if you think anything you say or do will change any of this. You can talk till you're blue in the face. You can buy them the latest tools and gadgets and still, they will do it the way they've always done it..... their way. You'll be convinced that way too many people are just standing around and you'll be tempted to rush in and show them how it *should* be done. My recommendation at this time would be to either go back home or sit quietly in a shady spot and just watch and learn. Soon you'll come to realize that you have hired a group of hard working, true artisans. Over the weeks and months that lie ahead you

will develop an understanding, deep respect and level of admiration for what they accomplish using the most rudimentary, often handmade tools and methods. As you become familiar with the process you'll learn that the people who you thought were simply standing around doing nothing work very hard when it's their turn.... They are the carriers and helpers, and when there is nothing to carry or help, with, it's perfectly OK for them to stand around. In fact, it's darn important that they can do just that. Because when they are busy carrying five gallon buckets of concrete on their shoulders up ladders as fast as they can, it's backbreaking work. What at first appeared haphazard and unorganized will suddenly start to make sense and you, like all of us who witnessed it before you, will be quietly amazed and stand in awe of their dedication and work ethic.

KEEPING A PHOTOGRAPHIC RECORD:

Keep a record of each phase of construction can be a priceless treasure at the end...and a very practical one. When the walls are open, photograph the location of hot and cold water pipes and wastewater plumbing lines. Take pictures of electrical lines that will be buried in walls, floors and ceilings. The same holds true even out in the yard. Knowing where things are buried is critical if you have a problem later and important to refer to before anyone starts digging on your property. Take pictures of the steel rebar columns and supports before they are covered with concrete. Get photos of the exact location of your septic tank and its clean-out cover. Someday when you sell your home, these photos will be just as valuable to the new owner.

MAKING CHANGES:

In a perfect world you would build your house exactly as it was designed and that would be that. But in reality, few of us can resist the urge to make a change here or there. When you want to make a change during construction (and after you have agreed on the price of your home), there has to be a process waiting in place to protect both you and your contractor. The first rule is always doing it in writing. Write down the details of the change and if necessary, have your architect do sketches or small plans showing the area to be changed in detail. Once this is done, get a firm price on the total cost of the change from the Architect or Contractor. Get signatures and make arrangements for how and when the change is to be paid for. Skipping any of these steps (and they are easy to skip), will lead to some very unpleasant surprises at the end of your project. Know what you are getting into up front. It keeps everyone happy at the end.

BE CAREFUL WHAT YOU ASK FOR:

There are many magical and wonderful things about Mexico, and the people of this country are perhaps the biggest part of the magic! *Everyone* wants to please you. For this simple reason you must be very careful what you ask

for. Your contractor is not the right person to ask if something can or can't be easily done. If you ask him; "can I build another floor on this house?" he will certainly answer yes. In fact he will smile and agree with you on most anything you'll ask him. He wants to please you. Here's the secret.... always ask the Architect and the Engineer, never the contractor. They and they alone know and can tell you what can be done, how it must be accomplished and what costs will be.

HOLD BACKS:

One of most difficult things to accomplish no matter where you are building is to get anyone to finish anything. At the end of your project there will be a long "punch list" of small things needing to be completed. Things like a chipped or broken tile here, a spot without paint there, a switch that doesn't work, an electrical cover that is missing or a faucet that drips all need to be taken care of. It's critical that you keep a running list, updating it almost daily, to be sure that even you don't forget about some of the things. Since many contractors are terrible about follow-through on these small, but important items, your only power to make sure they get completed is to hold back a certain amount of money at the end of the project until you are completely happy. If you make the mistake of becoming good friends with your contractor, trusting that the small items will be taken care of later, you might be waiting a very long time. At the *beginning* of your relationship, establish and agree to the amount of money that will remain owed at the end of the project until the "punch list" is completed to your satisfaction. Then stick to your guns. The amount needs to be large enough (more than a few hundred dollars) to sufficiently motivate the contractor to finish up, but not large enough (in the multiple thousands of dollars) to hurt his ability to pay his people and materials bills. Be reasonable, and let the contractor know that his total completion and your happiness is a very important sales tool for him in the future. Most important of all, be fair. Don't be unreasonable and by all means keep your contractor and architect as close friends. You want to always be able to call on them in the future if you have questions or problems.

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